Dissenting Views on H.R. 4954

Medicare Modernization and Prescription Drug Act of 2002

June 21, 2002

The bill ordered reported from this Committee solely by its Republican Members is a political placebo designed to provide political cover to politicians instead of prescription drug coverage to Medicare beneficiaries. This legislation is little more than a $310 billion give-away to the private insurance industry and pharmaceutical companies.

The Republican bill falls far short of what is needed to provide meaningful prescription drug coverage to the nation's 40 million senior citizens and individuals with disabilities who depend on Medicare. The Congressional Budget Office estimates that drug spending on behalf of beneficiaries will total $1.6 trillion between 2005 -- the first year of the Republican drug benefit proposal -- and 2012. Yet the $310 billion Committee-passed bill covers only 19 percent of the anticipated spending during that time period. This means that most Medicare beneficiaries will continue to pay far more for prescription drugs than they can afford.

Republicans claim that they can't afford to do more. They criticize our proposal for costing too much. Don't be fooled. It's a matter of priorities. Last year, they squandered the surplus on tax breaks for the wealthy, and they're at it again this year. In 2012 alone, the tax cut would cost $229 billion – more than three times the amount that Republican are willing to dedicate to prescription drugs.

The Republican drug proposal is nothing more than an empty promise and campaign rhetoric. It doesn't guarantee any specific benefit. It gives private plans free reign to charge beneficiaries whatever they want for premiums. It has a gaping hole in coverage that would force approximately half of all beneficiaries -- including millions of low-income senior citizens and individuals with disabilities -- to pay 100 percent of their drug costs at a time when their needs are increasing. It uses a cynical, technical calculation of out-of-pocket costs that will prevent family members from helping beneficiaries pay for needed medications and discourage employers from offering wrap-around coverage. It fails to assure access to needed medications by allowing private drug plans to decide which drugs to cover, and it allows the private drug plans to exclude neighborhood pharmacies.

The Committee bill also lays the groundwork for the Republicans' ultimate goal to privatize Medicare. The new drug program relies on a risky, untested private insurance scheme that sets the stage for broader changes in Medicare. It moves Medicare+Choice to a competition-based program in 2005, and conducts a premium-support demonstration under which fee-for-service premiums could rise dramatically. Finally, it creates a new bureaucracy to regulate the Medicare+Choice and private drug plans that both disadvantages the agency which oversees traditional fee-for-service Medicare and stacks the deck at the new agency in favor of the private plans.

THE DEMOCRATIC PLAN : REAL CHOICES, REAL COVERAGE

By rejecting the Democratic substitute, the Committee missed its opportunity to provide an affordable, comprehensive prescription medicine benefit under Medicare. We urge the House to take a different position and pass the Democratic alternative.

Our plan is an entitlement that would guarantee all beneficiaries the option to purchase affordable, dependable, comprehensive prescription drug coverage at a uniform price. The program would be administered and managed through pharmacy contractors, much like carriers and fiscal intermediaries do for the rest of Medicare today. Starting in 2005, under our plan, beneficiaries would pay a $25 monthly premium, $100 annual deductible and not more than 20 percent co-insurance until they spend $2,000. After $2,000, the government would pay 100 percent of the drug costs. This benefit minimizes beneficiary costs. **[CHART 1]**

Low-income beneficiaries receive additional assistance under our proposal. Those with incomes up to 150% of poverty ($13,290 for one person) will pay nothing. Those with incomes between 150-175% ($13,290-$15,505 for a single person) of poverty will pay premiums on a sliding scale.

The Democratic substitute also substantially reduces the soaring costs that seniors currently pay for prescription drugs. Under our plan, the Secretary would leverage the collective bargaining power of 40 million beneficiaries to negotiate with manufacturers for lower drug prices. Secretary Thompson recently demonstrated the effectiveness of similar bargaining power when he negotiated an 80 percent discount off the list price of the antibiotic Cipro during the anthrax scare last year. Pharmacy contractors would also negotiate additional savings. The savings from these negotiations would be required to be directly passed on to beneficiaries through lower prices.

The Democratic substitute guarantees senior citizens and those with disabilities the choices that matter -- choice of drugs and choice of pharmacy. Under our plan, Medicare would pay toward the cost of every prescription drug. The Democratic substitute also assures access to pharmacies by prohibiting pharmacy contractors from refusing to contract with a pharmacy that agreed to meet its standards. These are the choices people want and need.

Most importantly, unlike the Republican plan, our plan will never force seniors into an HMO or similar private plan in order to get a prescription drug benefit. That's why the leading consumer organizations back the Democratic substitute. **[See letters attached.]**

THE REPUBLICAN PLAN: LET THE BUYER BEWARE

Under the legislation reported out of Committee, virtually all of the important decisions are left to the private drug plans – the amounts paid by beneficiaries for premiums and cost-sharing, which specific drugs are covered, and the number and location of participating pharmacies. The motto of the free market approach in the Republican bill is caveat emptor: Let the buyer beware.

Rather than pursue negotiations to define on a bipartisan basis the best path to provide a good Medicare drug benefit, the Republican majority has chosen instead to push for a complex plan that puts the interests of HMOs and the drug industry ahead of the interests of beneficiaries.

Its key flaws are:

- **No guaranteed premium.** Insurers can charge whatever they want for premiums. While Republicans *claim* that the premium will be $35, which is 40 percent higher than the premium in the Democratic plan, there is nothing in the legislation to support that claim. In fact, there are no limits or guidelines regarding the setting of the premium. Under this proposal, premiums will vary by plan and place. In addition, the Republican plan does not provide any direct premium subsidies to beneficiaries with incomes in excess of 175 percent of poverty. Yet middle income seniors are finding their retirement security undermined by the high cost of pharmaceuticals, too.

- **Subsidies to HMOs, not beneficiaries.** The Republican legislation provides premium subsidies to insurance companies and HMOs, but not to beneficiaries. And nothing in the legislation requires the HMOs and insurers to pass on the subsidies to beneficiaries.

- **Pay more and get less.** For most seniors in the Republican plan, the more you spend, the less coverage you get. Inexplicably, the design of the Committee bill forces the elderly to pay a higher percentage of costs as their needs increase. Once the initial $250 deductible is met, beneficiaries have to pay 20 percent of the cost until there has been $1000 in drug spending. Then the co-insurance increases to 50 percent for spending between$1000 and $2000. And it increases again to 100 percent -- no government contribution whatsoever -- after $2000 in drug spending. Beneficiaries are forced to pay all of their drug costs for spending between $2000 and $4900, while continuing to pay premiums. (NOTE: The Republican $3800 *out-of-pocket cap* translates into $4900 in *spending.*)

In fact, under the Committee bill, America's senior citizens and individuals with disabilities will spend $4,220 to get $4900 worth of drugs; in contrast, under the Democratic plan, beneficiaries would pay just $1,360. **[CHART 2]**

- **No standard benefit.** The benefits described above are merely suggestions. Private plans can vary cost-sharing levers in both the standard coverage option and in the alternative coverage option. This is an invitation for plans to design benefits that "cherry pick" low-cost, healthy enrollees. It is a recipe for beneficiary confusion. This model represents a retreat from the Medigap reforms of the early 1990s that standardized benefits, thus ensuring that plans compete on price and quality and not on consumer confusion.

- **Not a real entitlement.** Despite Republican claims to the contrary, the Republican bill is not a true Medicare entitlement. Under Medicare today, beneficiaries are entitled to a set of benefits defined in law, regardless of where they live or what it costs to deliver the benefits. For example, beneficiaries in Milwaukee and Miami pay a $100 deductible for Part B and 20% co-insurance for Part B services. Beneficiaries in Bakersfield and Boston are guaranteed the same coverage for hospital care and home health services. Under the Republican plan, there is no such entitlement. Instead, Republicans guarantee hundreds of billions of taxpayer dollars in federal subsidies to their friends in the private insurance and pharmaceutical industries.

- **Limits access to specific drugs and pharmacies.** Under the Republican plan, private plans can refuse to cover needed medications. The private plans decide what specific drugs are on their formulary; beneficiaries who need prescription drugs that are not on the formulary are out-of-luck. Plans are not required to disclose the formulary to prospective enrollees, and plans are allowed to change the formulary during the year with "adequate" notice. Private plans also pick and choose which pharmacies are in their network. Private plans could also change their pharmacy networks mid-year. And, because the Republican plan uses the Medicare+Choice enrollment procedures, beneficiaries will be locked into the private plan for the entire year – even if the plan drops a needed drug or local pharmacy.

- **Hidden hatchet.** Crafted behind closed doors and without public hearings, the legislation has a hidden hatchet designed to artificially depress its aggregate cost and undermine its already paltry benefit. It strictly limits the dollars that count toward the out-of-pocket cap by specifying that only costs which are paid by the individual and are "not reimbursed (through insurance or otherwise) by another person" count toward the out-of-pocket limit. In other words, if a beneficiary receives *any* assistance – other than low-income assistance – with his or her drug costs, those costs do not count toward the $3,800 limit. This means beneficiaries who pay for supplemental coverage or who get help from family members might never qualify for the catastrophic coverage. Perhaps more importantly, this new notion of "true" out-of-pocket costs puts employers, unions, and others who provide retiree coverage in a bind. Employers are already steadily reducing their retiree benefits. **[CHART 3]** Unfortunately, the Republican bill moves in the wrong direction by providing employers with an incentive to either cap their retiree prescription drug benefits or drop them entirely. Committee counsel for the majority indicated in the mark-up that eliminating this gimmick would increase the cost of their bill by $120 billion.

- **Flawed private-market model.** There is no guarantee that any private plans will even agree to participate, as drug-only risk-bearing insurance plans don't currently exist. For two years, the insurance industry has expressed skepticism about the Republican plan, which relies exclusively on the participation of private insurers. The Health Insurance Association of America recently wrote to the Chairman that there is a "better chance" now than before that their companies will participate, but that's hardly a guarantee. That said, relying on a private insurance system will increase the costs to the beneficiary and the government due to the additional expenses related to product development, marketing, administration and profit. Developing a new private insurance product market would be difficult in sparsely populated rural areas, where the need is greatest, risk pools are smaller and costs often higher.

- **Risk-bearing requirement is bad news for beneficiaries.** Because the Republican plan would require the private insurers to be financially "at-risk" for the utilization of the benefit, the Congressional Budget Office assumes that these organizations will aggressively use every tool at their disposal to limit their financial exposure. This means they will deny or otherwise limit access to needed medications, set up very restrictive formularies, limit pharmacy networks and take other steps to keep claims low.

- **Government "bribe."** To entice plans to participate, the Committee-reported bill authorizes the Secretary to pay the private plans virtually any price, provided the entity is still "partially" at-risk. Thus, the Secretary could subsidize 99.99% of the risk. How much more will taxpayers pay for wasted overhead? How much more will beneficiaries pay? Will the market be stable and certain? Or will private plans be able to come and go as they wish? Will the drug coverage be available and affordable to all beneficiaries? Or only to a select few?

- **Medicare+Choice all over again.** Even if coverage were offered, insurers would be likely to come in and out of the market, move to profitable areas and significantly modify benefit design from year-to-year based on the prior year's experience. This could easily result in the same pull-outs and churning seen in the Medicare+Choice plans – except that the M+C program affects just 14 percent of beneficiaries.

PRESCRIPTION DRUG CARD: THE PLACEBO EFFECT

The Committee legislation authorizes the Administration's prescription drug discount card program, but fails to require the cards to provide any minimum discount. These cards are currently available on the market, and they are clearly not the answer to beneficiaries' needs. We are concerned about the potential that this program has to tarnish Medicare's good name.

THE REAL REPUBLICAN AGENDA: PRIVATIZATION OF MEDICARE

This legislation takes the first steps needed to pursue the majority's privatization agenda. It creates a private-sector based drug benefit. It moves Medicare+Choice to a competition-based system in 2005. And it creates a premium support demonstration program under which fee-for-service premiums could rise dramatically. Make no mistake: The long march to privatization is beginning in this bill.

REPUBLICAN PLAN: CREATES NEW BUREAUCRACY, ADDS INEFFICIENCY AND EXPENSE

Ironically, the Committee-reported bill creates a new agency within the Department of Health and Human Services. The new Medicare Benefits Administration (MBA) would be exempt from normal Civil Service pay scales and the conflict of interest rules that govern the civil service. The MBA would regulate Medicare+Choice plans and the prescription drug plans, though the Administrator would be forbidden from "interfering" with negotiations and performing other important oversight duties. Predictably, this new agency is stacked in favor of the plans, and will drain needed resources from the Centers for Medicare and Medicaid Services.

A MATTER OF PRIORITIES: DEMOCRATS SUPPORT A MEDICARE PRESCRIPTION DRUG BENEFIT, WHILE REPUBLICANS PREFER TO FOCUS ON TAX BREAKS FOR THE WEALTHY

We admit that the cost of our Medicare program expansion to seniors and the disabled is likely to be more than twice the cost of the Republican gift to drug companies and HMOs. But that's because we provide a much more generous benefit – e.g., beneficiaries save three times more under our plan **[CHART 4]** – and we don't include any hidden hatchets or other gimmicks or gaps to shift costs elsewhere. Under the Democratic plan, what you see is what you get.

We are proud to be doing more for the most vulnerable in our society. The Democratic Medicare prescription drug benefit will make a real difference in the lives of America's seniors and their families both by lowering drug prices and giving them substantial assistance in paying for them. But you simply cannot do a meaningful prescription drug benefit on the cheap.

HELP FOR MEDICARE PROVIDERS

While we have grave concerns about the feasibility, advisability and scope of benefits under the Republican drug plan in Title I and the steps toward competitive bidding in Title II, we are largely supportive of the package of provider payment relief in Titles II, III, IV, V, and VI of the Committee-passed bill. We would strongly prefer to consider the provider-related pieces on their own merits, and not as part of a larger more controversial debate.

CONCLUSION

Medicare's promise of health and financial security will not be fulfilled until a prescription drug benefit is enacted. The Republican scheme is a prescription for failure. **[CHART 5]** Many Democratic amendments were offered in repeated attempts to fix its many flaws or, in some cases, simply live up to Republican rhetoric. All were rejected on virtually party-line votes.

Seniors need and deserve stability, equity, continuity and predictability in their health care plans. They do not get this from for-profit HMOs in the M+C program. And they will not get it from private drug plans with variable premiums, co-insurance and benefits.

Members of Congress should defeat the Republican drug hoax and vote for a real, defined benefit in Medicare. They should enact the Democratic substitute.

June 18, 2002

Dissenting Views on H.R. 4954,
The Medicare Modernization and Prescription Drug Act of 2002

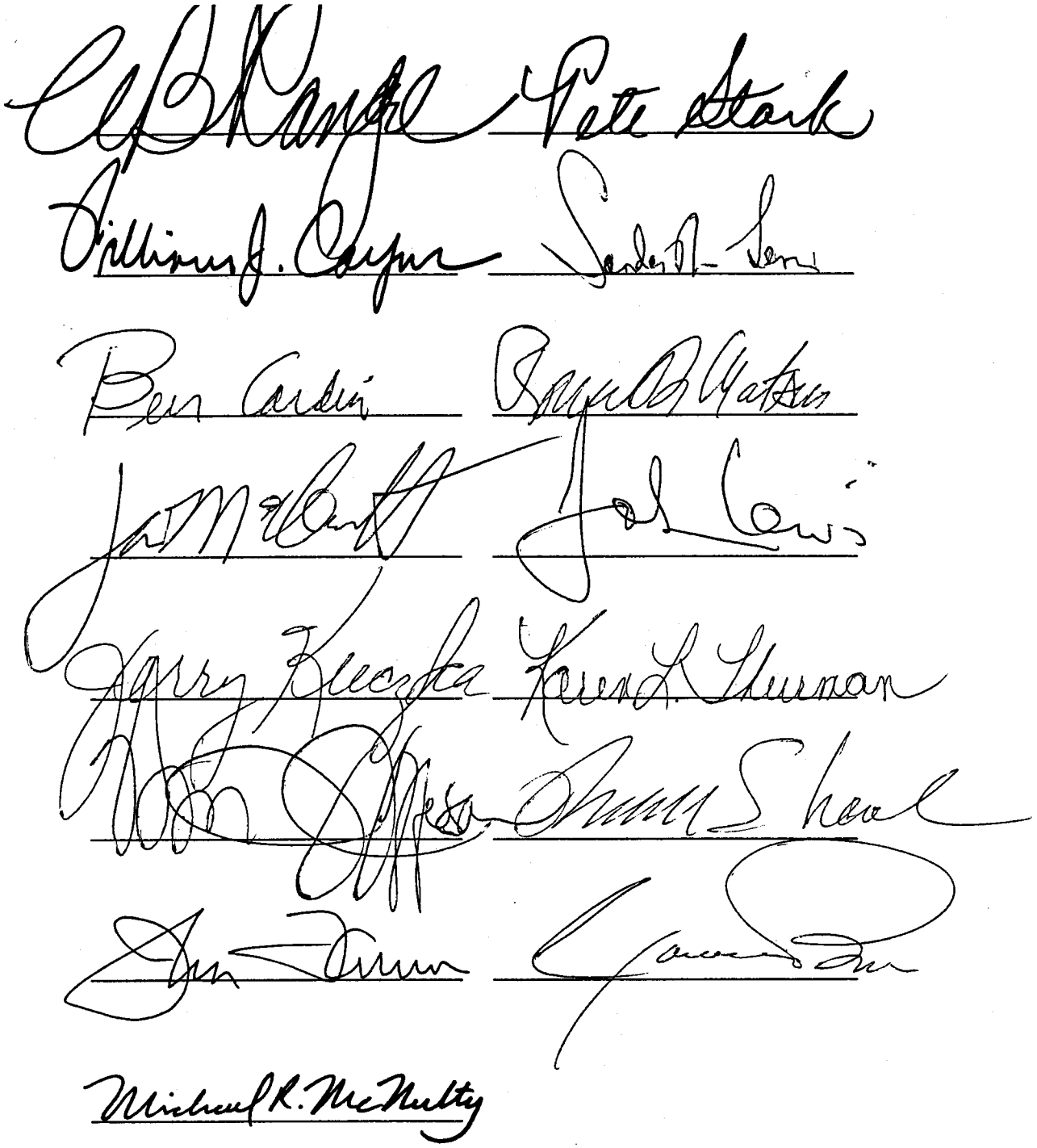
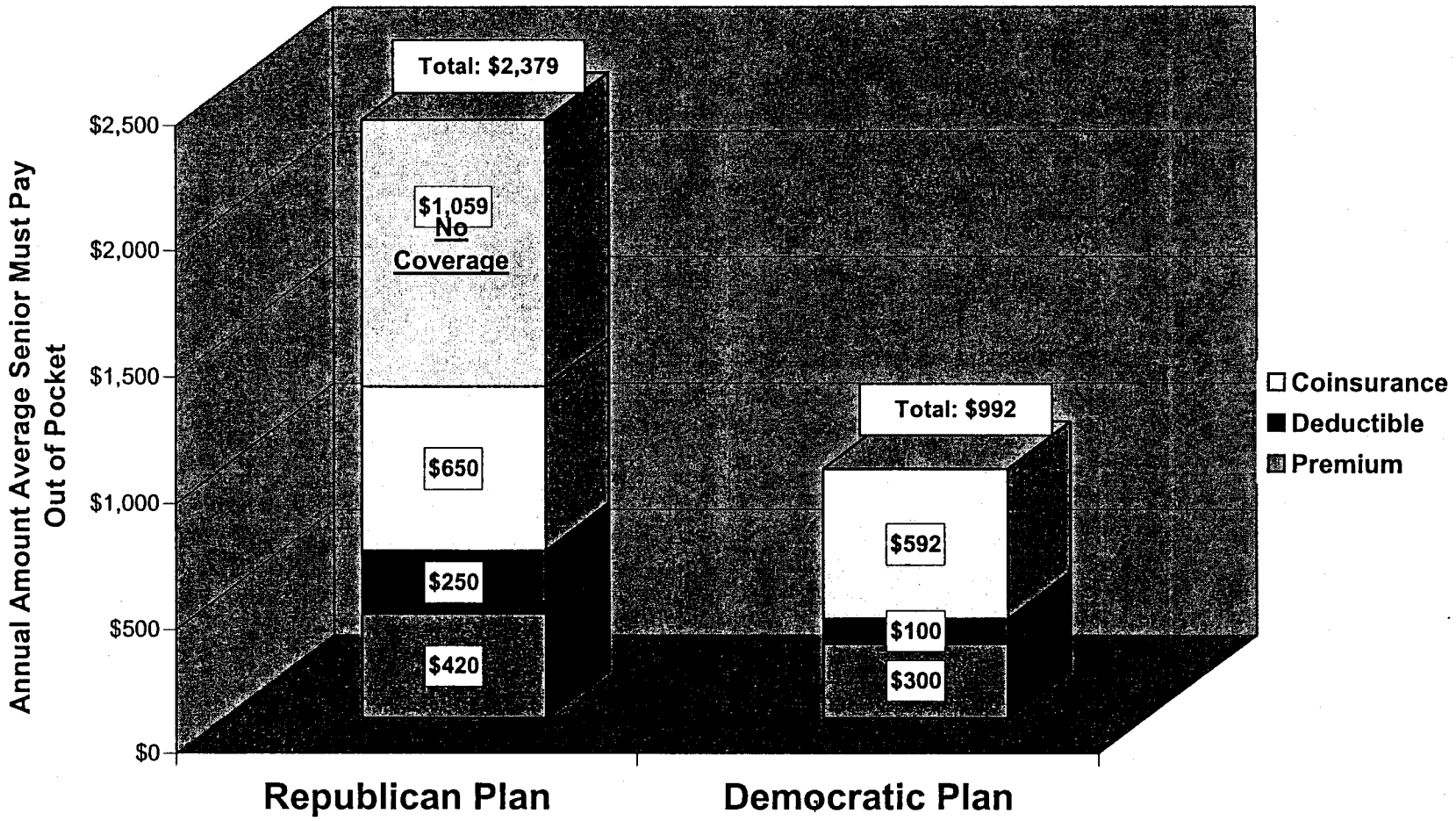
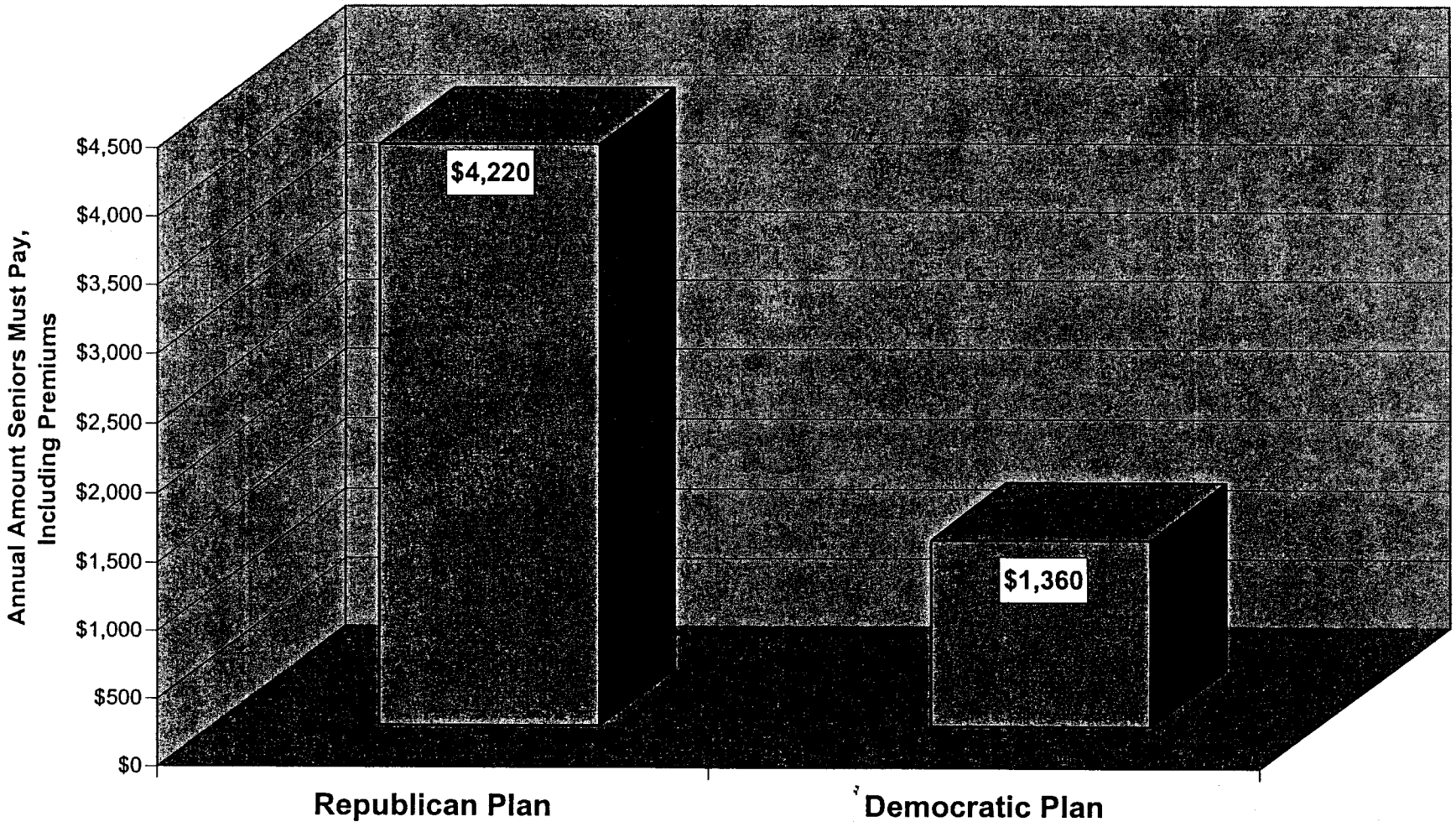


CHART 1
How Much Would the Average Senior Pay?



Average beneficiary spending on prescription drugs at the start of the benefit (2005) = $3,059. (CBO March 2002 Baseline)

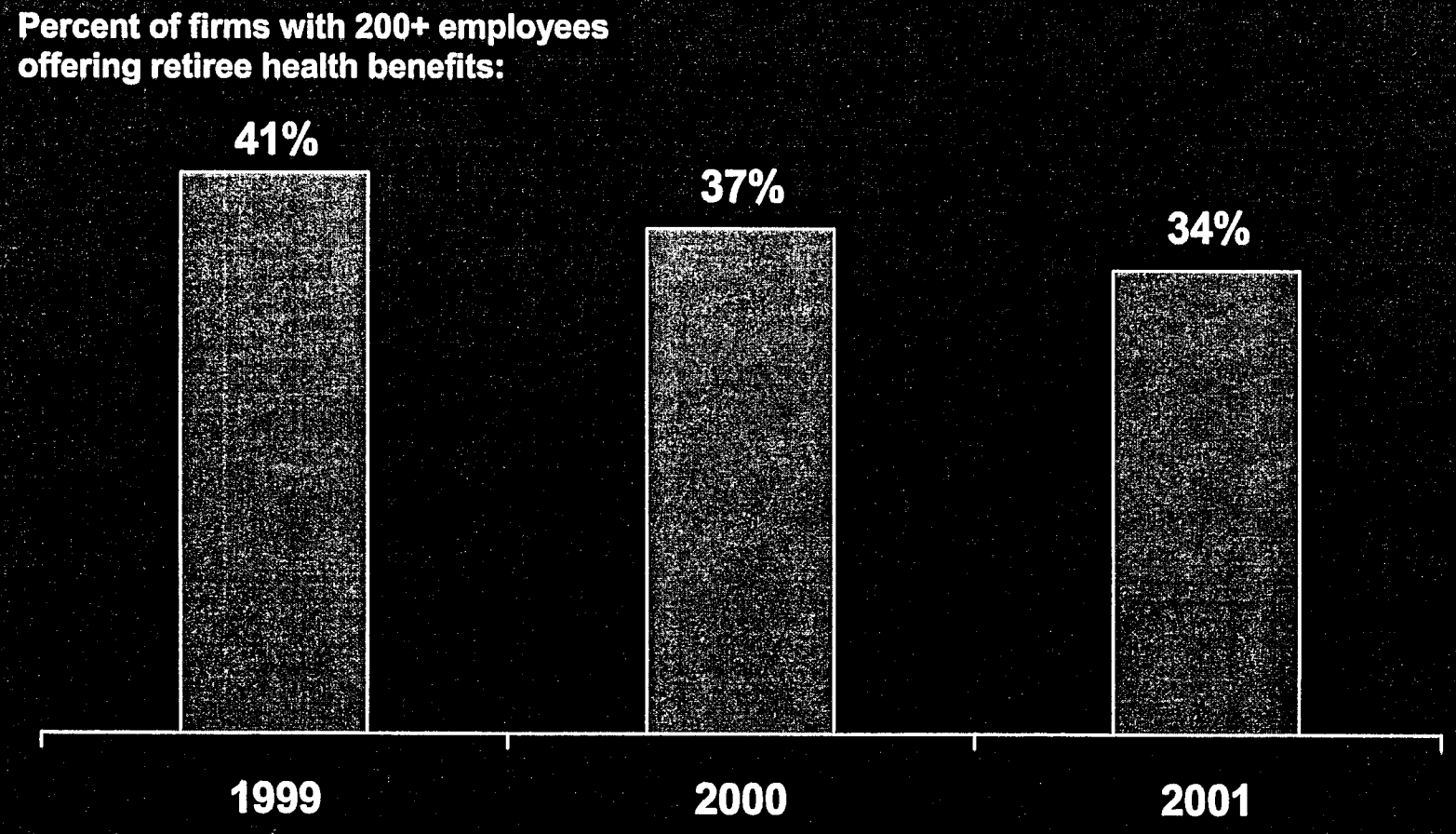
CHART 2
How Much Must Seniors Pay for $4,900* Worth of Medicines?



* House GOP plan stop-loss applies at $3,800 in out-of-pocket spending, which translates into $4,900 worth of medicines.

Figure 3

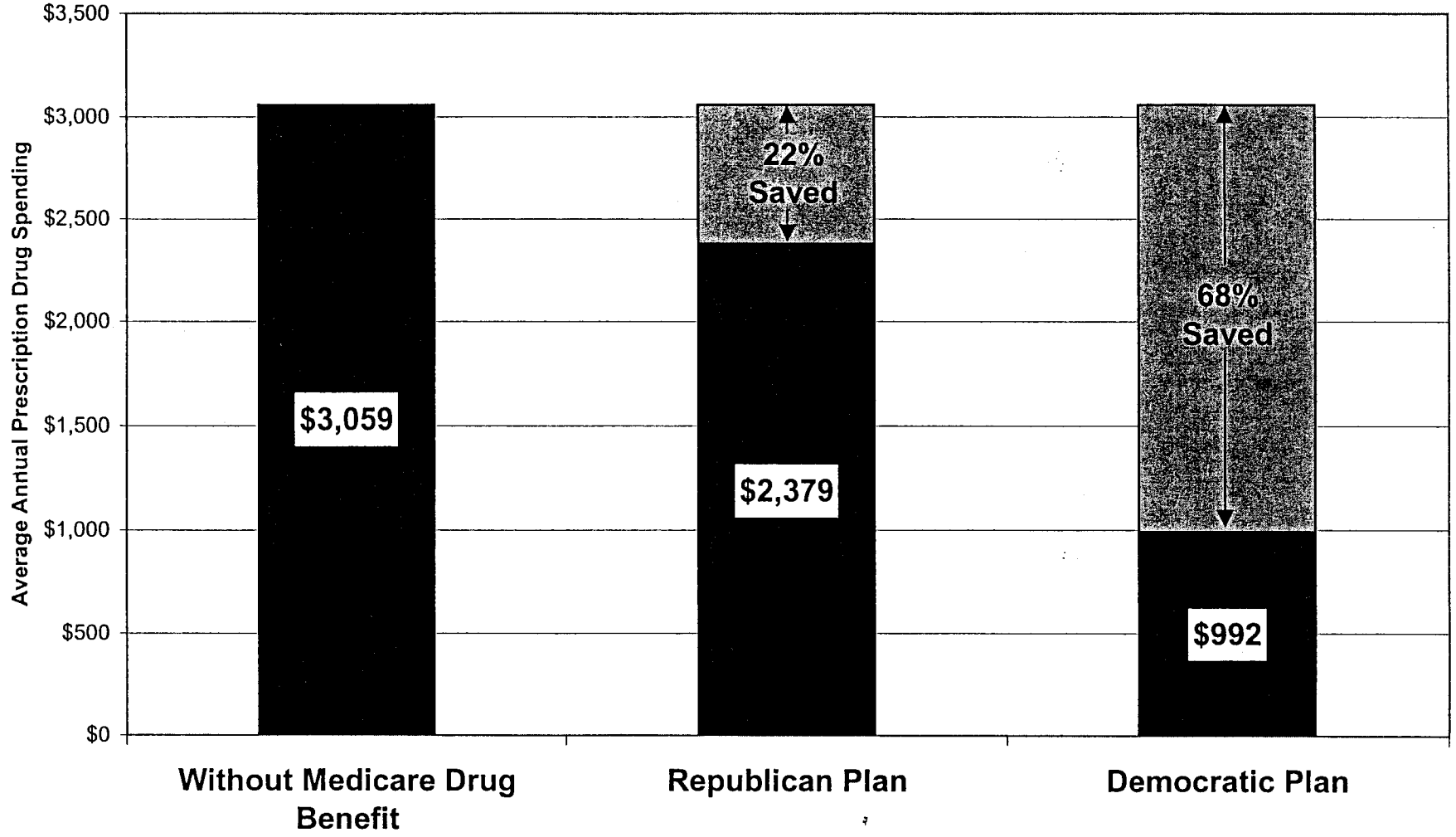
The share of employers offering retiree health benefits is declining



Source: Kaiser/HRET/Commonwealth Fund, April 2002.

THE HENRY J. KAISER FAMILY FOUNDATION

CHART 4
Beneficiaries Save Three Times More Under Democratic Plan



Without a Medicare drug benefit, CBO projects the average senior will spend $3,059 on prescription drugs in 2005. (CBO March 2002 Baseline) To get $3,059 worth of prescription drugs, a senior would have to spend $2,379 under the Republican plan and $992 under the Democratic plan.

CHART 5

Medicare Prescription Drug Benefit: Republican v. Democratic Proposals

Plan Element	Republican Proposal	Democratic Proposal
Guaranteed Minimum Benefit	NO Beneficiaries must obtain coverage through private insurers, who may not participate and can offer vastly different benefits and premiums.	YES Medicare covers prescription drugs like other Medicare benefits, with guaranteed benefits, premiums, and cost sharing for all beneficiaries.
Guaranteed Fair Drug Prices	NO Private insurers negotiate separately on behalf of subsets of the Medicare population, diminishing the program's group negotiating power.	YES The Secretary of HHS uses the collective bargaining clout of all 40 million Medicare beneficiaries to negotiate fair drug prices. These reduced prices will be passed on to beneficiaries.
Premium	Not specified. It is estimated to be: $35/month $420/year[1]	Specified in statute. $25/month $300/year
Deductible	$250/year[1]	$100/year
Co-insurance	20% for first $1,000 50% for next $1,000 100% for all remaining spending up to the out-of-pocket maximum[1]	20%
Out-of-Pocket Maximum	$3,800/year[1]	$2,000/year
Coverage Gaps	YES Beneficiaries who need more than $2,000 worth of drugs must pay 100% out-of-pocket (and keep paying premiums) until they reach the $3,800 out-of-pocket cap.	NO Beneficiaries always have coverage, with no gaps.
Access to Local Pharmacies	LIMITED Private plans can limit which pharmacies participate in their network.	BROAD Any willing pharmacy must be included in the network.
Access to Prescribed Medicines	LIMITED Private insurers can establish strict formularies and deny any coverage for off-formulary drugs.	BROAD Beneficiaries have coverage for any drug their doctor prescribes.
Low-Income Protections	WEAK Low-income beneficiaries may have to pay $2 or $5 co-pays and 100% of costs in the coverage gap. Drugs may be denied if the beneficiary can't afford this cost sharing.	STRONG No cost sharing or premiums up to 150% of poverty; sliding scale premiums phased in between 150% and 175% of poverty.

[1] Cost sharing amounts shown are benchmarks only. Actual cost sharing amounts will vary depending on the private plan the beneficiary chooses (assuming one is available).

National Committee to Preserve Social Security and Medicare

Twentieth

Anniversary
1982-2002

June 12, 2002

The Honorable Charles Rangel
Rayburn House Office Building 2354
Washington, DC 20515

Dear Congressman Rangel:

On behalf of the millions of members and supporters of the National Committee to Preserve Social Security and Medicare, I write in strong support of the Democratic substitute bill offered in the Ways and Means committee. Your Medicare prescription drug legislation will provide much needed relief to seniors. Your bill contains all of the elements that seniors need in a comprehensive drug benefit under Medicare. Your bill is universal, voluntary, and affordable, not means tested and most importantly, is a defined benefit, so that seniors can plan accordingly. Prescription drug prices are increasing over 17% per year (faster than inflation) and seniors are spending more on out-of-pocket drug expenditures than ever. The time is now to enact a drug benefit that will provide the Medicare beneficiary with meaningful assistance.

We are pleased that your plan would be available for seniors, no matter where they live. It provides seamless coverage. Our members have also expressed to us that a prescription drug benefit must be affordable.

We applaud you for your leadership in this area. We look forward to working with you to ensure enactment on this critical issue of prescription drug coverage for seniors.

Sincerely,

Barbara B. Kennelly

Barbara Kennelly
President

Alliance for Retired Americans

June 18, 2002

The Honorable Charles Rangel
U.S. House of Representatives
Washington, DC 20515

Dear Representative Rangel:

The Alliance for Retired Americans, on behalf of its 2.5 million members across the nation, endorses the Democratic substitute to H.R. 4954.

While more than 13 million older Americans and persons with disabilities have no prescription drug coverage at all, the coverage other Medicare beneficiaries have is often very expensive, inadequate and unreliable. Passage of this legislation will provide needed and substantial protection for all Medicare beneficiaries

The Democratic substitute measures up to our principles:

- **Coverage must be universal and comprehensive.** This Act covers all who qualify for Medicare benefits and includes a range of current and effective treatments.
- **Benefits must be defined and affordable with protections for low-income persons but no means-testing.** The premiums, deductibles, co-insurance and out-of-pocket cap in this Act are consistent with the Alliance's recommendations. In addition, there are provisions for covering all or most costs for beneficiaries below 175% of poverty and there is no assets test.
- **Enrollment must be voluntary and provide incentives for employers to maintain and expand their level of coverage.** This Act allows for those who have superior benefits to remain in their plans and it also provides employer incentives for continuing coverage.
- **Pharmaceutical prices for all consumers must be brought under some system of control.** This Act provides for the Health and Human Services Secretary to bring about lower prices through the government's negotiating power.

We will do all that we can to work with you toward achieving passage of your substitute.

Sincerely,

Edward F. Coyle
Executive Director

888 16th Street, N.W., Suite 520 ◆ Washington, D.C. 20006-4103 ◆ (202) 974-8222 ◆ (202) 974-8256 Fax

LOS ANGELES OFFICE
3435 Wilshire Blvd.,
Suite 2860
Los Angeles, CA 90010
213.639.0930
Fax: 213.639.0934

OAKLAND OFFICE
510 16th St., Suite 400
Oakland, CA 94612
510.663.1132
Fax: 510.835.8045

NSCLC
National Senior Citizens Law Center

June 20, 2002

Dear Congressmen:

The National Senior Citizens Law Center is pleased to endorse the Democratic Prescription Drug Substitute in Committee introduced by Congressmen Dingell and Rangel. This measure, alone among those pending in the House, meets our key principles for a meaningful prescription drug benefit.

- **The Dingell-Rangel measure provides for a voluntary drug benefit that includes reliable coverage as part of Medicare's defined benefit package.** The measure does not rely on participation by private insurance companies, which can and do make business decisions to enter and exit markets or scale back benefits. Because the drug benefit is incorporated into Medicare, the measure provides for stable, predictable coverage and prevents significant variations in premiums, deductibles and co-payments from region to region.

- **The drug benefit is comprehensive, shielding beneficiaries from burdensome out-of-pocket expenses and steep cost-sharing.** The benefit has an affordable premium and coinsurance of no more than 20 percent for preferred drugs, and for non-preferred when medically necessary. The benefit does not require beneficiaries to pay the full cost of prescription drugs once they have reached a capped amount and does not contain major gaps in coverage.

- **The drug benefit protects the integrity of the current Medicare benefit.** The measure does not force older people and people with disabilities into an HMO to get drug coverage. Nor does it impose new, increased co-payments for current Medicare benefits, such as home health, in exchange for a drug benefit.

- **The measure provides protection for low-income Medicare beneficiaries, regardless of age and where they live.** The measure provides full cost-sharing for Medicare beneficiaries with incomes up to 150 percent of poverty and premium assistance to persons with incomes up to 175 percent of poverty, and removes the asset test for eligibility.

- **The measure focuses on improving the traditional Medicare program and eschews radical Medicare restructuring proposals that would weaken the traditional program.** The measure does not include reforms that would increase the role of competition and private insurance in the Medicare program and cost-sharing for beneficiaries. Private insurance has failed to meet the needs of elders and persons with disabilities, has not achieved savings for the federal government and will not fund and make available to all beneficiaries the additional benefits, such as prescription drugs, that they want and need.

In sum, we enthusiastically support the Dingell-Rangel Prescription Drug measure because it provides a guaranteed, universal, voluntary and affordable benefit that is part of the Medicare program. We thank you for your leadership on this issue and look forward to working with you to ensure enactment of this measure.

Sincerely yours,

Edward C. King
Executive Director
NSCLC

Kim Glaun
Staff Attorney
NSCLC

THE NATIONAL COUNCIL
ON THE AGING

409 Third Street SW Washington, DC 20024 TEL 202 479-1200 TDD 202 479-6674 FAX 202 479-0735 http://www.ncoa.org

June 12, 2002

The Honorable Charles Rangel
Ranking Member
House Ways and Means Committee
2354 Rayburn House Office Building
Washington, D.C. 20515

The Honorable John Dingell
Ranking Member
House Energy and Commerce Committee
2328 Rayburn House Office Building
Washington, D.C. 20515

Dear Representatives Rangel and Dingell:

On behalf of the National Council on the Aging (NCOA) – the nation's first organization formed to represent America's seniors and those who serve them – I write to commend and thank you for your proposal to provide comprehensive prescription drug coverage to Medicare beneficiaries across the nation. The proposal would provide the level of coverage that the vast majority of America's seniors want and are familiar with.

According to the Congressional Budget Office (CBO), over the next ten years, Medicare beneficiaries will spend almost $1.8 trillion out-of-pocket on prescription drugs. This means, for example, that a $350 billion drug benefit would cover, on average, less than two out of ten dollars beneficiaries will spend on prescription drugs. In our view, allocating only $350 billion for prescription drugs is inadequate. Recent survey data indicated that such an amount would result in poor coverage under a plan in which few beneficiaries would participate. This in turn would result in serious adverse selection problems. We can afford to do much better.

Some critics claim that we cannot afford the comprehensive Medicare drug coverage provided under your proposal. But America has the strongest economy in the world and can find the resources if we want to. It is simply a matter of setting the right priorities. It is not unreasonable that America's seniors should receive prescription drug coverage as generous as that received by members of Congress, or under employer policies provided to younger Americans.

When the President and the Congress identify a clear priority to help Americans in need, the dollars to pay for it have always been found. Money was found last year to pass a $1.7 trillion tax cut. Last December, the Administration and the House found the money to support a stimulus package that cost an estimated $220 billion in the first three years. The House recently voted to make last year's tax cuts permanent, which would cost an estimated $373 billion for just two years (2011 and 2012). Congress also recently found the money to pay for $190 billion in farm subsidies, increasing spending for existing programs by almost 80 percent.

NCOA is particularly pleased that your legislation would provide prescription drug coverage that is universal, voluntary, reliable, and continuous. Other proposals being offered include significant coverage gaps and would fail to solve the problem. Under such bills, a significant

number of beneficiaries would not want to participate in the program, and many of those who do participate would continue to be forced to choose between buying food and essential medicines.

We are also pleased that your proposal would provide strong low-income protections for our most vulnerable seniors. By providing protections up to 175 percent of the poverty line and eliminating the onerous, irrational asset test as a condition for receiving such protections, your proposal would assure that those in greatest need would be able to obtain the medications they are prescribed. The asset requirement in other current Medicare low-income protection programs has not been adjusted for inflation for over 20 years and serves as a major barrier to eligibility for low-income seniors.

Sufficient funds must be allocated to provide access to a continuous, reliable prescription drug benefit for all Medicare beneficiaries, with affordable premiums and coinsurance and no major gaps in coverage. In November 2000, the Administration and Congress promised that meaningful, affordable prescription drug coverage would finally be made available under Medicare. Medicare beneficiaries can no longer afford to wait. We appreciate your efforts to deliver on this promise.

Sincerely,

James Firman
President and CEO

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

815 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20006

JOHN J. SWEENEY
PRESIDENT

RICHARD L. TRUMKA
SECRETARY-TREASURER

LINDA CHAVEZ-THOMPSON
EXECUTIVE VICE-PRESIDENT

LEGISLATIVE ALERT!

(202) 637-5090

June 13, 2002

The Honorable John Dingell
The Honorable Charles Rangel
United States House of Representatives
Washington, D.C. 20515

Dear Representatives Dingell and Rangel:

On behalf of the 13 million members of the AFL-CIO, I am writing to commend you for your efforts to provide much-needed relief to Medicare beneficiaries. Your proposal to create a voluntary drug benefit within the Medicare program represents an encouraging and solid step toward enacting the one reform most urgently needed for Medicare.

Seniors need a real benefit that provides comprehensive, continuous and certain coverage. Your proposal provides that benefit, giving seniors coverage without gimmicks or gaps. A Medicare drug benefit must also be affordable for beneficiaries living on fixed incomes. The $25 monthly premium, coverage for 80 percent of the cost of prescription drugs and low deductible and out-of-pocket limit put prescription drugs well within the reach of seniors who too often have to make difficult choices between their health care and other basic needs. And providing this benefit within the Medicare program – and not through private HMOs – means seniors can count on the coverage being there.

In addition, your proposal would not put at risk those retirees who currently have some prescription drug coverage through an employer. Retiree health care is the primary source of prescription drug coverage for seniors, and your proposal rightly provides some relief for employers that choose to continue that coverage.

A proposal widely reported under consideration by House Republican leaders offers only unreliable, expensive and unworkable coverage through private plans, with an enormous gap in coverage that leaves seniors without any coverage at all for drug costs between $2000 and $4500. And the only relief for employers is if they drop the coverage they now offer. Such a proposal will not move us any closer to a real benefit.

As this debate moves forward, we want to work with you to enact the best possible Medicare drug benefit. We appreciate your role in advancing that process.

Sincerely,

William Samuel, Director
DEPARTMENT OF LEGISLATION

June 13, 2002

The Honorable Richard A. Gephardt
Minority Leader
H-204 Capitol Building
Washington, D.C. 20515

The Honorable John D. Dingell
U. S. House of Representatives
2329 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Pete Stark
U. S. House of Representatives
239 Cannon House Office Building
Washington, D.C. 20515

Dear Representatives Gephardt, Dingell and Stark:

On behalf of the more than one million members of the American Federation of Teachers (AFT), I am writing to offer our strong support for your legislation to provide a much needed and realistic prescription drug benefit within the Medicare system.

A prescription drug benefit within Medicare is needed now. The dramatic increase in the cost and use of essential drugs means that many retirees must spend over 20% of their retirement income to pay for prescriptions, forcing many elderly Americans to choose between eating and taking the medications they need to survive. Second, while many retirees have some private prescription drug insurance coverage, such insurance is becoming unaffordable. Finally, and perhaps most important, 11 million elderly Americans have no prescription drug coverage at all.

The need for legislation is clear. Your bill adopts the right approach to this serious problem by providing a voluntary prescription drug benefit that is within the Medicare system and does not rely on the private insurance market. Private insurers, as we know, can unilaterally change benefits, increase co-payments and even refuse coverage. For this reason, it is imperative that the benefit be part of the Medicare system.

Your legislation also establishes benefits at a realistic cost to retirees by providing an affordable $25 monthly premium, a 20% co-payment for all prescriptions and catastrophic coverage after $2,000 in out of pocket expenses. Further, the maintenance of effort provisions included in your legislation will provide an important incentive for employers who already provide their retirees' prescription drug coverage to continue to do so.

Our nation's elderly need your Medicare prescription drug benefit. The AFT is happy to support your legislation and to work toward its enactment.

Sincerely,

Charlotte J. Fraas, Director
Department of Legislation

CJF:cmw
opeiu#2afl-cio
House Democratic Medicare Prescription Drug

CENTER FOR MEDICARE ADVOCACY, INC.
P.O. BOX 350
WILLIMANTIC, CONNECTICUT 06226
(860) 456-7790 (800) 262-4414
FAX (860) 456-2614
www.medicareadvocacy.org

June 10, 2002

Honorable Charles B. Rangel
Honorable John D. Dingell
House of Representatives
Washington, D.C. 20515

BY FAX: (202) 225-5288

Dear Congressmen Rangel and Dingell:

The Center for Medicare Advocacy, Inc, is a private, non-profit organization which provides education, advocacy, and legal assistance to help elders and people with disabilities obtain necessary healthcare. We are very pleased to endorse your Medicare prescription drug proposal.

Your proposal meets all of our principles for a meaningful, universal, affordable prescription drug benefit. In particular, we are pleased that, under your proposal:

- The drug benefit will be part of the Medicare program and administered in the same way that benefits under Medicare Parts A and B are administered.
- Beneficiaries will not be forced into an HMO in order to get prescription drug coverage.
- Beneficiaries will pay no more than 20% for any prescription, regardless of the amount they spend on drugs.
- Beneficiaries will have continuous coverage. They will not have to pay the full cost of any drugs after the deductible is met, regardless of the amount they spend on drugs.
- Beneficiaries will not be forced to pay higher co-payments for current Medicare benefits such as home health services in exchange for a Medicare drug benefit.
- Low-income Medicare beneficiaries will be protected, regardless of their age and where they live.

The Center for Medicare Advocacy appreciates the efforts you have taken to support the needs of elders and people with disabilities. We look forward to working with you to enact a Medicare prescription drug benefit that meets the needs of Medicare beneficiaries, the people the Medicare statute was designed to protect. Thank you.

Sincerely,

Judith A. Stein,
Executive Director

FamiliesUSA
20 Years as the Voice for Health Care Consumers
1982
2002

June 20, 2002

Congressman Charles Rangel
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Congressman Rangel:

We congratulate you and Congressman Dingell on offering the Democratic substitute that provides a prescription drug benefit for Medicare beneficiaries.

This is an issue of utmost importance to all Americans who need prescription drugs, especially to seniors and people with disabilities. As you well know, seniors' ability to afford prescription drugs is a particularly difficult problem today. In our 2001 report entitled, "Enough to Make You Sick: Prescription Drug Prices for the Elderly," we concluded that the 50 top drugs used by seniors rose 2.3 times the rate of inflation between 2000 and 2001. We are in the process of updating this report for last year, and our preliminary data shows that this devastating rate of price increases continues. Millions of seniors have limited income and no, or limited, drug coverage and will find themselves deciding whether to buy drugs or to pay for other essentials.

Your substitute addresses many of the issues we care about. Beneficiaries will be very grateful that the benefit is the same as in the rest of Medicare, in that the beneficiary only pays 20 percent of the cost of the drug. Additionally, every Medicare beneficiary can benefit from this comprehensive benefit. Beneficiaries across the country will be confident that they will have access to this benefit in the same way they get the rest of their Medicare benefits. Low-income people get extra assistance. Also, there are provisions to assure that costs will be contained and quality maintained.

Please let us know how we can assist you to move toward our mutual goal of providing all Medicare beneficiaries access to the prescription drugs they need.

Sincerely,

Ron Pollack

Ronald F. Pollack
Executive Director

1334 G Street, NW ■ Washington, DC 20005 ■ 202-628-3030 ■ Fax 202-347-2417
E-Mail: info@familiesusa.org ■ Web site: www.familiesusa.org ■

Additional Views of Congressman Earl Pomeroy on H.R. 4954
Committee on Ways and Means Mark Up of
Medicare Modernization and Prescription Drug Act of 2002
June 19, 2002

While I have great concerns about the total cost of the Minority alternative prescription drug package, I firmly believe that it uses the best and most appropriate delivery mechanism - an entitlement provided directly through Medicare. The underlying bill, on the other hand, proposes to deliver the benefit through private insurance companies. The argument made by the Majority that this method of delivery is superior and will result in greater savings is not substantiated and relies on blind faith in the insurance industry. In my eight years as Insurance Commissioner for the State of North Dakota, it became apparent that this is simply an unproven theory. One need not look any further than the Medicare + Choice experience in North Dakota as evidence. In our state, we witnessed all three plans that tested the market fail and ultimately pull out. Today there are no available M+C plans in the state because a market-driven approach clearly does not work for providing coverage to our seniors under Medicare.

However, I am compelled to remind my colleagues that Congress has a critical responsibility to address the prescription drug needs of seniors sooner rather than later, and I am committed to working to keep this legislation moving forward. As the process continues, it is my hope that we can work in a bipartisan manner to correct the deficiencies in this bill, beginning with changing the delivery mechanism to utilize the proven, successful elements of the existing Medicare program.